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Myths After Astor

IT IS NATURAL to wish to account for success of any kind by ascribing it to some freak of fortune, to the chance discovery of some magic formula. This attitude of mind would place success potentially within the grasp of almost anyone, even without the possession of unusual mental or physical endowments, and without the necessity of exerting oneself to cultivate the endowments one actually may possess. Since economic success is one of the most widespread of human desiderata, it might be expected that legends ascribing it to various fortuitous happenings of a romantic or even magical character would be widespread. This is actually the case, as witness Aladdin and his wonderful lamp, Ali Baba and the key-phrase "Open, Sesame!", Jack and the beanstalk, Dick Whittington and his cat. Nor is it necessary to resort to the fabulous Orient or to medieval Europe for specimens of such tales. About the head—or rather, the money-bags—of John Jacob Astor I have sprung up myths which probably exceed in number and influence those clustering about any other single business man. And, Astor is near enough to our own time so that we need not entirely despair of following the footprints of the myth-makers, one of whom, indeed, left an unmistakable trail.

A question frequently asked is, "Astor? Is that the man whose fortune was based on Captain Kidd's treasure?" The questioner, it will turn out, got this idea from something heard at the club or casually noticed in a popular magazine or newspaper. Seldom is any doubt expressed as to the essential truth of the story; the questioner is interested merely in learning some of the additional romantic details. Until recently these were difficult to obtain. The little book, *A Notable Lawsuit*, by Franklin H. Head (privately printed, Chicago,

1898), in which the Captain Kidd-Astor story first appeared in print, is quite rare, the only copy I have seen being in the Library of Columbia University. The *Forum* for July, 1931, however, reprints the entire volume *verbatim*. In brief the story is that Frederick Law Olmsted is suing the Astor estate to recover the principal and interest on the value of a huge chest of jewelry, removed by an Astor employee from a cave on Deer Island off the coast of Maine, then and still belonging to the Omsted family. This chest, said to have been concealed on Deer Island by Captain Kidd, was turned over to John Jacob Astor, himself, and the money derived from the sale of the treasure—so the story runs—formed the basis of the Astor fortune.

This hoax, for such it really is, was prepared for purposes of amusement by Franklin H. Head, while a guest of the Olmsted family on Deer Island. It is a model of its kind. To the casual reader, who uncritically allows the wealth of corroborative detail to build up a belief in the story's essential truthfulness, it seems entirely convincing. To the questioning mind of the lawyer, historian or business man, on the other hand it readily reveals itself as a delightful invention which was never intended to be taken seriously. It appears that the author carefully guarded against the possibility of the story ever finding lodgment in any serious publication, since, it is hardly too much to say, almost every detail which can be checked is wrong. Yet those particular details which the average casual reader might be familiar with, such as the approximate date of Captain Kidd's operations and of the rise to financial prominence of John Jacob Astor, are correct.

A reader acquainted with American history would probably think that there was something strange in the reference to "Cotton Mather Olmsted," Indian trader in Maine, 1696-1705. The trader would presumably have been at least twenty years old by the earlier date; the famous Cotton Mather was born in 1663 and was unlikely, at the age of thirteen or less, to have a namesake in Maine. The reader might also wonder, mildly, over the coincidence which made Astor's employee, who discovered the Kidd treasure, an exact namesake of the discoverer and explorer of the St. Lawrence River. But when he came to the description of the capture in 1700 by Captain Kidd of an English vessel and the plundering of the passengers, whom Kidd was with difficulty persuaded to exempt from walking the plank, the reader would probably begin to think, correctly, that here was something very wrong indeed. Even admitting that Captain Kidd was, technically, a pirate, he was never even accused of plundering English vessels. A little investigation would also reveal that the holder in

THE FICTITIOUS PORTRAIT OF JOHN JACOB ASTOR, I
Used as Frontispiece in *A Notable Lawsuit*

1700 of the earldom of Dunmore, who was said to have been on the unfortunate ship, returning from India where he had been governor, never so much as visited India. Moreover, the reader might well doubt the statement that Astor sold Captain Kidd's treasure chest in London for $1,300,000. As a matter of fact, the great pirate probably never buried any treasure at all, and it is certain that the total value of his loot, much of which was recovered, amounted to but a small fraction of that ascribed to the Astor find. It is also known that jewels and gold actually formed but a small part of the cargoes of Kidd's prizes, which consisted mostly of cloth, spices, dyes, and similar commodities.

Harold L. Williams, in *Captain Kidd and His Skeleton Island*, recently published, points out a number of similar errors, unconscious that the story as a whole is admittedly a hoax.

The business man might not have detected these historical inaccuracies, but there was a warning sign for him, also, in the statement that "whenever he [Astor] drew on a customer [in London] with the bill of lading, the books of the bank [the Manhattan Bank] showed virtually the whole transaction," as "Cr. John Jacob Astor $131, proceeds of draft on London for £26 10s for sale of 87 Otter skins, 46 Mink, and 30 Beaver Pelts." It is unlikely that the average business man would believe, without further investigation, that banking was conducted in any such fashion as that, even a century ago, even were the books of the Manhattan Bank not still available to testify that it was not.

There are other misstatements unlikely to be detected by anyone not intimately acquainted with Astor's business life: for instance, (1) that in 1800 he was a struggling fur-trader, clearing only two or three hundred dollars a year, when he was in reality one of the leading fur-merchants of the country; (2) that he had fur-buying agents operating in Maine—the *argumentum ad silentium* is of course not conclusive, but I should be much surprised to learn that he had; or (3) that "Mr. Astor had evidently visited England in the year 1801," which he had not. A person experienced in the fur-trade would also have his suspicions aroused by the fur prices mentioned in the "drafts on London," supposedly quoted in the books of the Manhattan Bank. At the lowest prices quoted for about 1800, the otterskins alone would, even in the United States, have produced at least twice the total of the "draft," leaving out of account the mink and beaver, the later of which would have produced nearly the total amount. Few readers would, however, be sufficiently well acquainted

with the details of Astor's life or with the fur-market to be put on guard by these inconsistencies.

Mr. Head also furnished his published volume with incredible illustrations: Lady Dunmore wearing the jewels rapt from her by Captain Kidd; Captain Kidd, himself; Captain Kidd's executioner, apparently an early prototype of the illustrations in the travelbooks of Dr. Walter Traprock; and, finally, the reproduction of a full-length painting, "John Jacob Astor. Drawn from a portrait by an unknown artist, painted at Astoria, Oregon, in 1813" (see the illustration on page 3). Some readers, perhaps unaware that John Jacob Astor was never on the Pacific coast, would not be disturbed by the caption, but no newspaper-reader of the 'nineties could fail to recognize that upon the body of a man in the costume of a *coureur du bois*, rifle in hand, belt bristling with pistols and daggers, had been superimposed the head and features, not of the original John Jacob Astor, but of his descendant and namesake, Col. John Jacob Astor, who later went down in the *Titanic!*

And yet with all Mr. Head's care, the Captain Kidd story has became an inseparable part of the Astor folk-legend. Only a few years ago, after the above-mentioned article had been published in the *Forum* with Olmsted's statement as to the origin of the hoax, a certain popular five-cent weekly told the tale anew. And when it was questioned by various readers, it editorially refused to admit that the facts were not as they had been stated.

Captain Kidd's treasure, however, is not the only basis of the Astor fortune revealed by Astor mythology. Another such foundation was a pass entitling the bearer to trade at any of the ports monopolized by the British East India Company. This pass had reputedly been given to Astor by the governor of the British East India Company, who was a friend of Astor's childhood days in Germany. Astor is supposed to have allowed James Livermore, a New York merchant, to use it on a voyage to Canton, Astor to receive in return one half the profits. I have dealt in detail, in *John Jacob Astor: Business Man*, with this legend, which is as completely false as is the Captain Kidd story. One fact alone is sufficient disproof: the East India Company's monopoly applied only to British subjects, and the first American vessel to trade with Canton cleared, quite without pass, from New York at a time when Astor was ice-bound in Chesapeake Bay on his first voyage from England to the United States.

Unlike the Captain Kidd legend, the story of East India pass No. 68 has not captivated the imagination of the public, but strangely

enough, it was accepted without question by Astor's two earliest American biographers and actually appears in the *Dictionary of American Biography*, now in progress! Inasmuch as no one has ever confessed to being the author of the East India pass legend, its origin is still something of a problem. There is, of course, a bare possibility that some Britisher actually received such a privilege from the East India Company and that word of his experience drifted across the Atlantic and attached itself in the popular mind to the career of the greatest American merchant and shipowner of his day, much as any good story of the generation just past quickly came to be ascribed to Chauncey Depew, or in our own day is credited to Dorothy Parker. But this solution is improbable.

The story, in its complete form, seems too definitely the work of a single imagination. Its first appearance in print was in Joseph A. Scoville's *Old Merchants of New York*, a series which appeared in the 'sixties, where it is said that the story was told by Astor to a business acquaintance who had asked him to what fortunate occurrence he ascribed his early success. It is unlikely that Scoville invented the story himself; his volumes reveal him as credulous, gossipy, careless, and consequently inaccurate, but hardly as deliberately inventive; and the artistry of the East India pass legend would seem to be outside his powers. It is at least a possibility that Astor was himself responsible for the tale. He was much given to practical joking, and to tell such a tale to an inquisitive acquaintance and make him believe it would doubtless have had a strong appeal to Astor. If it is objected that Astor had not sufficient literary imagination to produce such a hoax, the objection can be answered by pointing out that Fitz-Greene Halleck, the poet, was for years his confidential secretary, and Washington Irving, author of *Diederich Knickerbocker's History of New York*, a life-long friend. These three, of a winter's evening, could have concocted such a tale over a single bottle of sherry. But whatever the source, internal evidence proves the legend of the East India pass to have been as purely a myth as the admittedly fictitious Captain Kidd tale.

Perhaps the most curious thing about these and other Astor legends is that the actual known facts of Astor's business life far surpass them in romantic quality and interest. Astor, like most men of achievement, would undoubtedly have preferred to be remembered by posterity for his actual accomplishments rather than for absurd but confusing legendary deeds. Though the furnishing of authentic material for the history of his *Astoria* enterprise was a step in the right direc-

tion, he failed to perform the same historical service for the two-score and more remaining years of his half-century in business. It would be both a public service and a source of private satisfaction for business men, who feel that they have accomplished something in their lives, to prepare a full and frank account of their careers, including mistakes and failures as well as brilliant coups and triumphs. To assist themselves in the attainment of the proper impartiality toward their own acts, they might plan to deposit the resulting document in the local historical society, or still better, in the collection of the Business Historical Society, under the guarantee that said material should not be made public for a specified period after the depositor's death. Should such a practise become prevalent, it would be of incalculable benefit to American history and business.

Oliver Cromwell demanded that he should be portrayed for posterity "warts and all," and posterity honors him for that demand. It is an example that American business men should have the courage and vision to follow. If they did, there would be little basis for such distortions of reality as the myths above.

KENNETH W. PORTER

Harvard University

Joint Session on Economic History

UNDER THE joint auspices of the Business Historical Society and the American Economic Association, a very successful meeting on economic history was held at the Hotel New Yorker, in New York City, on Thursday evening, December 26. Mr. Percy S. Straus, President of R. H. Macy & Co., New York, presided. Professor Herbert von Beckerath (Duke University and the University of North Carolina) read a paper on "Fifty Years of Development in Industrial Organization." Professor N. S. B. Gras (Harvard University) read a paper on "Chief Aspects of American Business in the Last Half Century." While it has not been possible to print the papers in full, summaries have been prepared by the Editor, as follows:

FIFTY YEARS OF DEVELOPMENT IN INDUSTRIAL ORGANIZATION

Professor von Beckerath defined industrial organization as "the organization of enterprise, its legal and financial structure, its combinations and agreements for the purpose of market regulation and control." By 1885 capitalistic industry had entered "the age of maturity," marked by widespread mechanization, the joint-stock system, and the frequent occurrence of glutted markets as a result of enlarged productive capacity. Some branches, like the textile

industry, were no longer able to profit by their superiority over handicraft and domestic industries: factories had to compete with other factories possessing about the same technique and internal organization. This increased the difficulty of adjusting the capacity of an industry as a whole to its market. At the same time, the heavy investment in specialized machinery made it difficult to shift capital to more profitable trades, and compelled owners to continue producing at almost any price in order to survive. In times of depression a proper readjustment of production to consumption became difficult and slow.

Owners often met this problem by concerted efforts to control output, either through cartel agreements covering an entire industry or by forming groups within it (trusts or mergers) in order to increase financial power, reduce expense, and "rationalize" production. Such combinations were often not monopolistic in aim, but they were so in effect whenever they achieved their aim.

Although cartels, mergers, and trusts were frequently formed before 1900 to relieve distressed business conditions, industry soon learned that they might be used to enhance profits in boom times as well. Indeed their full advantage could only be realized in periods of prosperity when markets were responsive to the low prices resulting from low-cost operation, for demand is relatively inelastic in at least the first stages of depression. For this reason cartels prevail in times of depression, while the merger principle is strongest in boom times. Of course the application of these principles is also affected by the types of industry involved—heavy industries tending towards mergers and integration, while the manufacture of consumers' goods is better suited to the cartel.

Legal factors have a bearing. Germany has become a nation of cartels; in England non-monopolistic mergers were more important; in pre-War France cartels prevailed; while in the United States cartels do not officially exist. In England and especially in the United States, legislation is opposed to the attainment of monopolistic power. In most continental European countries, however, cartels were not only permitted but the courts actually upheld the agreements by which members of the cartels were bound together, so long as the resulting power was not abused.

The World War induced in all industrial countries a rapid growth of mergers and amalgamations which was encouraged by governments in their effort to utilize as effectively as possible raw materials, labor and capital. Cartel operations subsided, but both cartel associations and new organizations were used to apportion materials, limit sales and prices, etc.; and these prepared the way for a widespread revival of cartel operations after the War. At first, however, inflation favored the extension of mergers, for price agreements became impossible. These inflation mergers often lacked technical consistency, and some of them collapsed when the forces waned which brought them into being.

The recent depression saw a revival of cartel efforts on an unprecedented scale in Germany and to a large extent elsewhere, but "the merger principle persists now . . . both through depression and revival." This was especially true of Germany where it was necessary not only to restrict production but to concentrate it in the most efficient plant, in order to cut costs and preserve Germany's place in international competition in the face of currency devaluation by competitors. In America the cartel principle, for the first time in history, found in the New Deal some official recognition and a great deal of practical application.

On neither side of the Atlantic has there been a definite and consistent general stand with regard to industrial organization. This is surprising in view of the fact that corporations, cartels, and mergers affect fundamental aspects of economic life. They involve problems of rigidity in production and prices, internationally-connected currency systems, and especially the question whether the competitive system, as a device for apportioning incomes in the economic hierarchy according to competitive efficiency, is not destroyed by monopolistic organizations and practice. They also raise a serious question as to the proper relations between private business and the government. "When the consumer, the investing capitalist, and the workman are no more protected by effective competition between their market opponents, can the government leave them to the discretionary use of the entrenched power of private business unchecked . . . by the neutral arbitration of efficient competition?"

These and related questions have long been raised and occasionally discussed, but they became a vital issue only since the last years of heavy depression. Why? The explanation is probably to be found in events which are largely independent of specific industrial developments. The rising price level after 1895 and after the War sustained profits and did not foster restricted output. Further, there were, until recently, foreign markets which provided outlets for surplus goods, capital, or labor. The reversal of the price trend brought credit collapse, rapid deflation, a general unwillingness to buy goods even at prices well below cost, and unemployment on an unparalleled scale, with conflicts between the various interests concerned as attempts were made to pass the catastrophic burden from one group to another.

A sudden revival of interest in industrial organization, inspired by widespread distress was not likely to result in well considered and consistent theories or policies. The solution can only be reached by a gradual process of adjustment. We have been confronted only for a few years with a need for reform which has grown out of more than five decades of capitalistic development. "It is too early to pretend that these disturbances are only temporary and accidental . . . ; but it is equally too early to triumph in a collectivistic spirit about the breakdown of political and economic liberalism. What can be done and must be done will be found only in a process of evolution through trial and error." But thus far we have had too little accurate information about the actual results of mergers and cartels, and the voluminous literature on the subject has given us conclusions based on deductions tinged by capitalistic or socialistic prejudice.

The stabilizing influence of cartels or mergers has not been proved. Rigidity of industrial prices during the recent depression is a fact, but it should not be attributed exclusively to monopolistic organization. Rigidity of capital charges, wages, and taxes is at least as important. The inelastic market in times of depression is also a principal factor behind the reluctance of industrialists to cut prices.

Governmental efforts to fix prices, wages, and output have alternated with efforts to increase economic flexibility. Likewise governments have sometimes abstained from interfering with business organization, and at other times have enforced stringent regulations. Some times they have done both at once. Some headway has been made in the regulation of joint stock enterprise, but we shall have to proceed by the slow process of trial and error. "Only dim outlines of new principles are visible concerning the relative position of govern-

ment, management, capital, and labor in the operation of capitalistic industries and concerning the relative importance of political and administrative rule and of competition in regulating economics."

Chief Aspects of American Business in the Last Half Century

Professor Gras chose to cover as much of his subject as possible within the time allotted by enumerating the chief aspects of American business under the headings favorable and unfavorable. "We may regard a development as favorable when it has been well grounded in solid business attainment and is socially desirable. To be sure, we can at any particular time separate the profits of a private business from the social service which it yields, but in the long run there probably is no such distinction."

The following developments were listed as unfavorable: an incorrigible tendency to over-capacity; antiquated machinery; management in "the dead hands of old families, trusts, and insurance companies"; ruthless competition; persistence of weak local banks; continuation of weak, isolated railroads; misguided efforts to develop overseas shipping; unfortunate results of efforts to control business by investment and commercial bankers; bad leadership in the sale of securities, especially foreign, 1923-29; public utility manipulation and exploitation; lack of collective bargaining; lack of security for farmers and workmen; lack of public confidence in big business.

Under favorable aspects Professor Gras included the following: service to customers and clients; return to an emphasis on foreign trade; growth of big business units which exhibit strength and stability; a revolution of business administration.

Emphasizing the revolution in business administration as the most important business development in the past fifty years, Professor Gras pointed out that until the early part of the nineteenth century the chief figure in business had been the sedentary or general merchant who combined many functions or activities in order to attain security and profit. The Industrial Revolution forced such men to specialize in retailing, wholesaling, manufacturing or some other activity: the new technique and the problems of adjusting business methods and organizations to large scale operations and widening markets were all so difficult to master that men had to concentrate upon a narrow part of them in order to succeed. Astor turned to real estate, Girard became a banker, the Lowells and Cabots specialized in manufacturing, and Vanderbilt centered his attention on railway transportation. When such specialists had conquered their difficulties, however, a recombination of related functions again became possible. During the past fifty years business has again been integrating and diversifying activities. The process has involved a revolution in business management.

This revolution has at least six aspects. First it involves the giving up of specialization of function—in a sense a return to the non-specialization of the sedentary merchant. We see this in the department stores which have combined wholesaling, retailing, and manufacturing; above all, we see it in manufacturing firms which have reached back to sources of raw materials, purchased railroads and steamships, and pushed forward toward the consumer by doing their own wholesaling and even retailing. A second aspect is diversification, especially in recent years: automobile manufacturers make trucks, radios, electric refrigerators and other products, while a concern like the Gold Dust Corporation covers a wide range of groceries and household supplies. We

also have horizontal combinations in the dairy industry, retail stores, railroads and banks. Out of all these has come a growth in size.

To most political scientists the growth in size presents chiefly a problem of political control. To students of business it is fundamentally a problem of administration and management. The specialized business man had developed managerial specialists within his own firm for production (mill agent), finance (treasurer) and marketing (sales agent). But, roughly within the last fifty years, changes had to be made—the fourth aspect of the revolution in administration.

One of these changes in management was in the direction of better training. "The mill agent tended . . . to become a production engineer. . . . The bookkeeper, under the treasurer, became an accountant with some knowledge of the broader aspects of the work he was doing. The sales agent became a trained sales manager, with more and more academic training and book guidance, beginning not later than the period 1908-1920." A second change in management was the addition of new divisions—statistical departments, industrial relations departments, legal departments, and public relations departments.

How could the topmost executive control the amazing organization which was built up? He used charts to keep his vision clear and subordinate officers to keep departments working together efficiently. He sought to get the best men to head the various subdivisions. But, in spite of all that was done to perfect the internal mechanism of management, difficulties arose. Outside aid was the only recourse. A whole roster of business auxiliaries sprang up to parallel the work of the departments within the firm—the fifth aspect of the revolution.

"The business auxiliary is an outside assistant who gives advice for a fee. He may help install a department along the line of his own interest and he may even come in to manage a department for a period or to manage a whole firm until success is attained. Still, his primary function is advice. Back of the advice lies the information which he must collect. . . . The auxiliary, whether an individual or a firm, lives by giving impartial information. As between the possible interests within a firm, the auxiliary has no favorites; his is the task of discovering solutions that may be effective.

"The auxiliaries . . . specialize in production, office management, market research, industrial relations, public relations, and finance. This is roughly the order of their development and of their present-day maturity. Just about the first auxiliary . . . was Amos D. Lockwood, who set up an office as consulting engineer in Boston in 1871. Lockwood was a specialist in textile mill construction and operation. From his time on to the days of F. W. Taylor, progress in production management was continuous. . . . Each decade saw progress, perhaps the period 1910-20 most of all. Without the outside progress in the natural sciences, the movement would not have gone far or fast. And, of course, it would never have even begun, if there had not been a need for auxiliaries on the part of topmost executives."

The sixth aspect of the revolution, the separation of ownership and management, got an early start. The records of Boston banks show this a century ago. Dr. J. C. Ayer complained of it in New England's manufacturing establishments as early as 1863, but expressed the view that the evil would be remedied in time. "On the contrary, the process has gone on, until today no one expects any redress. . . . The topmost executive occupies a position of almost

absolute power so long as he can produce adequate dividends. He can get a very big salary for himself and appoint his brothers and sons to lucrative posts. He can milk the firm of which he is the head for the benefit of another in which he is a part owner. He can pay so much attention to serving the public that he forgets the stockholders.

"We make a fundamental mistake, however, when we emphasize these evils for they are not typical. By the very necessities of the case, the business administrator must develop honesty as well as strength, diplomacy as well as firmness, and impartiality between the contending elements of modern business as well as consideration for stockholders. His aim is to succeed in all respects possible. He must employ departmental experts and check up on them by means of auxiliaries. He must be efficient in production and sales. He must do justice to workmen and customers. He must not forget the stockholders nor be unmindful of public opinion. He must get ideas from the social sciences or from the natural sciences. He must harmonize business realism with social realism. . . .

"Obviously, it becomes a serious question as to where our business leaders of the future are to come from, if they are to meet such exacting requirements. The old way . . . was to come up by the floor-sweeping route. . . . Such a person was familiar with the internal mechanism, but he was liable to be weak beyond the walls. He was more attuned to maintaining the status quo, less able to meet changes in fundamental situations." A second ladder to the top has been, and still is, ownership. With this there may have gone the apprenticeship already considered and in addition great ability. But often, particularly in the third and later generations, there has not been sufficient ability or willingness to devote attention to business to justify the position occupied by virtue of ownership.

The bankers have sometimes supplied a third type of leadership. J. P. Morgan, Sr., for example, influenced the selection of business executives in the interest of security holders. He chose a lawyer like Gary to head the U. S. Steel Corporation, and another who had come up as an apprentice, Charles S. Mellen, to direct his New England network of transportation. In spite of his mistakes, Morgan performed services which should not be forgotten.

"The period 1913-17 saw the eclipse of banker-Republican leadership. Woodrow Wilson erected the Federal Reserve System to rob Wall Street of power. . . . From 1917 to 1919 big business was again on top: it helped organize America to wage the war, assisted in financing and supplying the Allies, and participated in a vigorous post-War foreign trade that we now know had a very hollow base. Individual American business men were as well known after the World War as after the Civil War. Then it was Drew, Fisk, Gould, and Vanderbilt; later it was Morgan, Ford, Dawes, and Owen D. Young. The fame of these men was world-wide. . . . The period since 1929 has witnessed a second eclipse of the leaders of business: indeed this time it was an abject defeat of their spirit of leadership. They first found themselves helpless; then they were accused at the bar of public opinion; then brow beaten in Washington. . . .

"Just now it looks as though the period of Democratic dominance has brought into new prominence a fourth type of leader—the civil servant. . . . There is one conclusion clear enough that those civil servants who have only academic experience should be kept out of positions of leadership in business. Their forte is ideas and advice and not responsible executive decision.

"A fifth source of business leadership is to be found in the heads of specialized departments in business firms. . . . Generally, however, the very specialization that makes a specialist successful, disqualifies him for higher posts. . . . A sixth source . . . lies in the business auxiliary who has the strength and weakness of his counterpart, the departmental head. . . . The seventh source is the school of business graduate. . . . What we find, however, is that the graduate wants to become a specialist so as to receive the maximum income in the shortest period of time."

There are a few men in schools of business who would prefer not to become specialists. The formulation of broad policies would appeal to them and they would do it well; but there is too little training in the schools for their type of ability, and there are few business men who recognize this source of leadership. "They hesitate to take a young man into their firm, put him through all the departments in a short time, and give him responsibility. . . .

"The problem of business is primarily to train the highest type of executive for business but also to train a certain number to assume public leadership. . . . If we are to maintain a democratic form of government, and if the nation is to be kept safe for business, we must have business men who, without dominating politics, will contribute their share of leadership of a public nature . . . aware of the social problems which cannot safely be ignored or postponed."

DISCUSSION (from the Editor's notes):

All those who joined in the discussion emphasized the lack of adequate historical knowledge about business and the difficulty of making accurate generalizations at present. Dr. Anne Bezanson (University of Pennsylvania) said that there were several factors in the background which influenced the chief development sketched by Professor Gras. The past fifty years had contained periods of great difficulty and unusual risk which had forced business to return to the non-specialization of the earlier centuries. The sedentary merchant had been subject to risks arising out of price fluctuations which were difficult to guard against because of the slowness of transportation and communication. He had, therefore, spread his risks by engaging in many ventures. Modern business has suffered from rapid technical change and the necessity of making speedy adjustments, and it has sought to reduce the risks arising therefrom by integration and diversification. Secondly, there were important adjustments beneath the fabric of business, particularly the change in the importance of income groups and the rising position of the wage-earning class. To a large extent business had recognized this by the many developments in personnel management and in consumer advertising. Thirdly, it is noteworthy that the business man has attempted to introduce into his business what he thought were economic principles, to a large extent by means of the business auxiliaries. It was evident that there was a need for more adequately trained economists who could, as auxiliaries, bring theory to bear upon business practice.

Professor Carter Goodrich (Columbia University) approached the subject matter indirectly by outlining two papers which might have been given. One, on the impact of technological changes upon recent general history, would analyze the significance and effect of steam and electric power upon industry. Contrary to the predictions of many writers, the location and control of industry has not yet been decentralized by electricity; and both the main speakers were right in focusing attention upon the growth of industrial plants and busi-

ness units. The second paper, dealing with the effect of the frontier on industry, would be of great interest to general historians. The ending of the frontier, about 1885, is believed to have deprived wage-earners of the opportunity of seeking a corner in new territory, but recent evidence indicates that very few eastern artisans or wage-earners participated in the westward movement before the closing of the frontier. The individualistic realism of frontier society has, however, survived from the past into the present in which it ill fits. One aspect of this is the naïve anti-monopolistic sentiment which lies behind much of our anti-trust legislation. Further study will probably show that this country has faced characteristic problems of capitalism with more of a special American point of view than Professor von Beckerath's paper seems to indicate.

Professor Earl J. Hamilton (Duke University) pointed out that the meeting in a sense was celebrating fifty years of federal attempts to regulate industry, and that a great many of the changes in the last half century have been the results of efforts to evade or comply with the regulation of the Interstate Commerce Commission and the Sherman Anti-Trust Act. More study should be directed to the study of business profits: it is doubtful whether consolidations have yielded high profits, and it is probable that the optimum size of industrial unit is smaller than we have assumed it to be. The relation between price and profits should also be studied: there has been an under emphasis upon the supposed rigidity of prices. Actually the rigidity of wages and the immobility of labor have contributed greatly to price rigidity. In general, we ought to focus more attention on the profits made both by promoters and owners of business enterprises, in order to determine whether the business man has been worth what he has cost society. In this connection we need more biographies of business men which have not been written by quacks, or by men with a bias to defend, or by radicals with a cause to promote. Professor Gras is to be congratulated as a pioneer in the study of business management and profits in history. Economic historians in general have not paid sufficient attention to profit-seekers, and a great deal remains to be done.

Professor John U. Nef (University of Chicago) said that, since he had specialized in economic history before the period under discussion, he was obliged to approach it from a distance. This perspective seemed, however, to throw light on one point. Some doubts had been expressed about the future of industry. If the course of history since the Renaissance is examined, there is basis for the view that a fundamental change in economic history is now taking place, a complete break with the past. Since the middle of the fifteenth century there have been periods of rapid industrial and commercial developments, each of which seems to have had a higher rate of expansion than its predecessor. There is reason to believe that the epoch of increasing rate of expansion and industrial change is coming tc a close: the increase in population has been tapering off, there are no more new countries to exploit, and, whatever science may have in store for us, we are not likely to see technological developments comparable to the advance in iron and steel, the application of steam and electrical power to industry, and the invention of the automobile and the airplane. The uncertainty which is felt today about the future is at least partly explained by the fact that we are being forced to break with the expansionist frame of mind

which has characterized our life for over five centuries. At any rate, we must study the factors which have made for industrial change and expansion in the past and relate them to other aspects of history.

Professor E. F. Gay (Harvard University) said that as he listened to the discussion he recalled his student days in Berlin when Schmoller used to emphasize at the close of every seminar the complexity of economic history. The constant reiteration of this point used to annoy him, but long experience proved that Schmoller's view was correct. It is the business of economic historians to keep on picking at the complicated knot of history so that we might discover the lessons of the past and analyze the problems of the future more clearly. There are many difficult adjustments to be worked out, many dangers to be avoided, in our search for economic security. The problem is to attain the stability which all of us want, without getting too much rigidity with it. Economic history would help in the solution, but it is clear that the whole subject is extremely complicated and that we still have a great deal to learn.

Referring to Professor von Beckerath's statement that we shall have to advance by trial and error, Dr. Ralph M. Hower (Harvard University) urged that more attention be given to recording the experience of individual firms so that we might avoid repeating mistakes. Most economic historians seemed to be content with looking at our industrial and commercial organization from the outside, but that point of view yields too little information of the type we need. Most of the industrial mergers formed in this country around 1900 encountered severe difficulty and many of them proved to be unprofitable, not because of legal obstacles or other external factors, but rather because the management had failed to handle its task successfully. The increase in the size of companies had not only increased the work of management but had changed its very nature. We ought to know wherein some executives failed to make the transition and how others succeeded. The technique of managing large concerns will have to be mastered, whether we have a capitalistic, socialistic, or communistic organization of society, and business history will be of immense value in the process of learning. The group at Harvard has made progress under Professor Gras but it is working in a field which had been almost completely neglected by historians and thus far the surface has barely been scratched.

Meeting of the Council

THE Council of the Business Historical Society met on January 9, 1936, and adopted several measures which will be of general interest. To facilitate the task of increasing the Society's membership, the Council voted to eliminate, for the present, the twenty-five dollar admission fee which has been required of new general members in the past.

It was agreed that, without neglecting the work of collecting and preserving business records, the Society should lay greater emphasis in the future upon research and publication in the field of business history. To stimulate interest in the subject, as well as to give mem-

bers of the Society a greater return for their support, the Council authorized the officers to purchase books on business history and distribute them to members. It is hoped that at least one volume can be given free to the Society's members each year.

The Council also authorized the officers to negotiate for the reestablishment of the *Journal of Economic and Business History*. This quarterly publication, which was distributed to members of the Society from 1929 to 1932, established an excellent reputation for scholarly work in business history. Since it was the only periodical in existence devoted to that subject, its suspension in 1932 constituted a real loss both to business men and students of history. It is hoped that the financial support necessary for its revival can be obtained in the near future.

Jere A. Downs

THE Society sustained a great loss in the death of Jere Arthur Downs on December 30, 1935, at his home, 1 Arlington Street, Winchester, Massachusetts. At the time of his death Mr. Downs was head of the Boston branch of Hayden, Stone & Company, private bankers, and he had long been one of the outstanding figures in New England shipping business and financial life.

Born in Roxbury, August 21, 1872, Mr. Downs entered the employ of Hayden, Stone & Company as a bookkeeper, shortly after the firm's establishment in 1892. In 1906 he was admitted to partnership, and he not only was an important factor in the subsequent growth of that house, but he soon became active in the control of many other business enterprises. Just before his death he was vice-president and director of the following concerns: Boston & Yarmouth Steamship Company, Chinese American Investment Corporation, Nova Scotia Steamship Company, Old Dominion Steamship Company, Robert E. Lee Steamship Company. He was also a director of the American Pneumatic Service Company, Eastern Steamship Lines, Inc., Haystone Securities Corporation, Pond Creek Pocahontas Company, The Lamson Company, the Winchester Trust Company, The Wisconsin Zinc Company, and the Champion International Company. He had formerly served as president of the Boston Stock Exchange and as chairman of the board and of the executive committee of Eastern Steamship Lines, Inc.

Mr. Downs had been in poor health for two years and had been

confined to his home for several months prior to his death. He had never married and is survived by his sister, Miss Elizabeth Downs. He had been a valued member of the Business Historical Society since 1927 and his passing constitutes a personal loss for many members and friends of the Society.

Daniel G. Wing

JUST as the *Bulletin* was going to the printer, the Society received the sad news of the death of Daniel Gould Wing at his home in Brookline, Massachusetts, on January 27, 1936. Long a respected and admired leader in New England banking, Mr. Wing had, in September, 1935, resigned his position as chairman of the board of directors of the First National Bank of Boston on account of the ill health which had troubled him for many months.

Mr. Wing was born in Davenport, Iowa, September 10, 1868, and began his banking career in 1885 as a messenger for the State National Bank, Lincoln, Nebraska. Working up rapidly, he soon became cashier of the American Exchange National Bank of Lincoln, which he left in 1897 to become a national bank examiner. In this capacity he came to Boston in 1899 and was made receiver of the Globe National Bank and Broadway National Bank. Within only a few months he had shown such marked capacity that he was made a vice-president and director of the Massachusetts National Bank. Its president, John W. Weeks, was anxious to devote full attention to his own firm of Hornblower & Weeks, and before the end of 1900 Mr. Wing was really the manager of the Massachusetts National, though he was not formally made president until 1903. When the Massachusetts National merged with the First National, later in 1903, he was made president of the First National Bank. He continued to hold this position until 1926, when he was elected chairman of the board. In addition he was a director and member of the executive committee of other corporations, including the Pacific Mills, United Fruit Company, United Shoe Machinery, New England Power Association, and the United States Smelting, Refining and Mining Company. He had been a member of the Business Historical Society since 1927.

Those who knew him will heartily concur in the following statement from an editorial which the *Boston Evening Transcript* published on Mr. Wing: "By his constructive powers he led this institu-

tion to a place as the largest bank in New England and one of the principal banks of the United States. He deserves and will be given memory as one of the most significant citizens of Boston in modern times."

BOOK NOTICES

Anne Bezanson, Robert D. Gray, Miriam Hussey, *Prices in Colonial Pennsylvania*. Research Studies of the Industrial Research Department, Wharton School of Finance and Commerce, XXVI. Philadelphia: University of Pennsylvania Press, 1935. Pp. xix, 445. $4.00. A detailed study of prices in Pennsylvania between 1720 and 1775, with additional data to aid in interpreting the fluctuations. Prices of staple agricultural commodities; staves; naval stores; pig and bar iron; sugar, molasses, rum, and other West Indian products; staple imports from Europe; British goods; general index of prices; sterling exchange. Appendix on methods used. Numerous tables, 33 charts, and bibliography.

Herbert Heaton, *Economic History of Europe*. New York: Harper & Brothers, 1936. Pp. xiv, 775. $3.50. An eminently readable history which is notable for the attention given to business developments. Embodies a great deal of recently published material, including articles in the *Journal of Economic and Business History*. Bibliographies at the end of the chapters.

Samuel McKee, Jr., *Labor in Colonial New York, 1664-1776*. Columbia Studies in History, Economics, and Public Law, no. 410. New York: Columbia University Press, 1935. Pp. 193. $3.00. A study of free, apprenticed, indentured, and slave labor. Since no space is devoted to working conditions, except to indicate abuses, the book does not fully succeed in its purpose of setting forth "the theoretical and actual position of labor." It is also marred by the author's mistaken belief that the gild system was working well in seventeenth and eighteenth century Europe. Good on legal position of labor which is the real subject of the book. Bibliography.

Heinrich Sieveking, *Wirtschaftsgeschichte*. Enzyklopädie der Rechts- und Staatswissenschaft, no. XLVII. Berlin: Verlag von Julius Springer, 1935. Pp. vii, 209. RM 13.80. A concise and comprehensive survey of the economic history of the Western World from ancient times to 1935, with an emphasis upon the development of capitalism. Bibliographies at the end of each section.

Secretary's Column

The Secretary is happy to be able to report that the Society has acquired a number of new members during the past six months, as follows:

General Members

William C. Dickerman, President, American Locomotive Co., New York City
Sidney Homer, Jr., President, Homer & Co., New York City

Walter E. Sachs, Partner, Goldman Sachs & Co., New York City
Percy S. Straus, President, R. H. Macy & Co., New York City
George M. Verity, Chairman, American Rolling Mill Co., Middletown, Ohio
Donald M. Weston, President, Byron Weston Co., Dalton, Mass.

AFFILIATED MEMBERS

Henrietta M. Larson, Associate in Research in Business History, Harvard Graduate School of Business Administration, Boston
George P. Baker, Instructor in Economics and Tutor in the Division of History, Government, and Economics, Harvard University, Cambridge.

In order to make more of the *Bulletin's* space available for articles, it has been decided to curtail somewhat the reports of printed material which has been acquired by the Society. Many current periodicals are received which do not require individual notice, and such items will henceforth be omitted from the printed list. This action will not impair the value of these reports for purposes of reference to sources of business history. Since the publication of the last *Bulletin* the Society has received and gratefully acknowledges the following acquisitions:

From Mrs. Irving Babbitt, Cambridge, Massachusetts: framed Chinese Government note for 1,000 cash, issued in the reign of the Ming Emperor Hung-Wu (1368-1399 A.D.)

From Mr. William H. Cunningham, Statistician, State Mutual Life Assurance Company, Worcester, Massachusetts: William H. Cunningham, *Protecting Three Generations* (Worcester, Mass., 1935).

From Mr. Harold G. Rugg, Assistant Librarian, Dartmouth College Library, Hanover, New Hampshire: an "Account of Mails Received at the Post Office at Bridport, County of Addison, State of Vermont," from May, 1825-December, 1864; "Mails sent from Bridport," Feb., 1827-March, 1844; other postal records of Bridport, scattered dates, 1839-1876; "Mails sent from Boston," Mass., April-September, 1845.

From Professor D. H. Davenport, Harvard Business School, Soldiers Field, Boston, Massachusetts: a small bound book, "Appraisal of Real Estate and Personal Property of John Pillsbury Deceased," 1866-1867; an exercise book on bookkeeping, dated 1835, bearing the name "Wm. Conn, Jr., Hillsborough, N.H."

From Mr. George W. Eggert, Freight Agent, Delaware, Lackawanna and Western Railway Company, Syracuse, New York: "Copy of Freight Tariff issued by the Superintendent of the Syracuse, Binghamton and New York Railroad, Mr. Geo. Haven, at Syracuse, N.Y., March 15th, 1864."

From Mr. Seth T. Gano, Boston, Massachusetts: *The Compleat Collier: Or, The Whole Art of Sinking, Getting, and Working, Coal-Mines, &c.* (London, 1708). Reprint.

From Mrs. Bella C. Landauer, New York City: a lithograph advertisement, "Green Mountain Boys Gathering Materials for Paine's Celebrated Green

Mountain Balm of Gilead," dated 1868; an advertisement for "Dr. Steer's Chemical OPODELDOC" undated.

From Minnesota Historical Society, Saint Paul, Minnesota: *Guide to the Personal Papers in the Manuscript Collections of the Minnesota Historical Society,* compiled by Grace Lee Nute and Gertrude W. Ackerman (Saint Paul, 1935); a box of samples from the papers of J. C. Easton, "a banker who owned and operated several banks in southern Minnesota in the seventies and eighties"; a typewritten list of business records in the Minnesota Historical Society.

From a member of the Society: government and private news releases; *The Weekly Underwriter* from Oct. 26 to Dec. 28, 1935; various house organs; *Reviews* of the Bank of Nova Scotia and Barclay's Bank; financial statements; advertising material; *Brief for Receivers of Hoosac Mills Corporation, Respondents,* United States of America v. William M. Butler et al. No. 401, October, 1935; *Commonwealth of Massachusetts—Report of the Division of Minimum Wage, Nov. 30, 1933;* six industrial photographs, miscellaneous monographs.

From Handelskammer, Bremen, Germany: *Bericht der Industrie- und Handelskammer Bremen,* 1935 (Erstattet an den Kaufmannskonvent, Dec., 1935).

From Reichs-Kredit-Gesellschaft Aktiengesellschaft, Berlin, Germany: *Deutschlands Wirtschaftliche Lage,* 1935/36

From Mr. Charles Bishop Kinney, The South Manchuria Railway Co., Dairen, Manchuria: "Some Facts of the Manchoukuoan Situation which may be of Interest," Dec. 28, 1935.

From Chamber of Commerce and Industry for Amsterdam, Amsterdam, Netherlands: *Report on the condition of commerce, industry and traffic,* 1934. Abridged edition.

From Nederlandsch Economisch-Historisch Archief, Amsterdam, Netherlands: *Economisch-Historisch Jaarboek, Deel XIX* ('s-Gravenhage, Martinus Nijhoff, 1935)

From Census and Statistics Office, Wellington, New Zealand: *Statistical Report of the Agricultural and Pastoral Production of the Dominion of New Zealand for the Season 1934-35; Report on the Vital Statistics of the Dominion of New Zealand for the year 1934.*

From Biblioteca Nacional, Buenos Aires, South America: *La Biblioteca Nacional en 1934.*

From Ministerio da Fazenda, Directoria de Estatistica Economica E Financeira, Rio de Janeiro, Brazil: *Movimento Bancario do Brasil No. III,* 30 September, 1935; *Commercio Exterior do Brasil, No. 10,* January to October, 1931-1935.